



The Insider

www.senate.mi.gov/switalski

Inside State Politics with State Senator Mickey Switalski Senate District 10

March 18, 2005

Welcome to the electronic version of *The Insider*. I would like to take the opportunity to thank you for your support and giving me an opportunity to represent you in the Michigan Senate. It is my sincere hope that this bi-weekly e-newsletter will keep you informed of the happenings in Lansing while staying true to the traditional style of *The Insider*. If you would like to contact me, please feel free to e-mail me at senmswitalski@senate.michigan.gov or call me at my Roseville or Lansing office. You can also meet me in person during my constituent hours, coming to a library near you. Call my office and make an appointment or just walk in. See schedule for details.

Mickey's Letter Bag: Credit Scoring

Dear Senator Switalski,

This is in response to your request for feedback on the subject of insurance companies using credit ratings as part of establishing premiums.

I do not believe that credit ratings should have any link at all to your insurance premiums. My question to the agencies is how does my rating affect my possible insurance needs. I can understand the following: driving record, amount of driving, where I live, how old I am, and value of the item being insured. All of these have some scientific basis behind them. I do not see how whether I pay my bills on time, or have large loans has anything to do with the possibility of making claims on my insurance.

I understand that my rates could go up because of this. It may be a scare tactic, it might be an excuse to raise rates, but if issues such as these are not addressed now, who knows what they will link next to my insurance premiums.

Thank you for your time,

Eric Hodges
Sterling Heights

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Dear Senator-

I'd like to take this opportunity to respond to your newsletter request for feedback regarding the use of credit scores in determining insurance premiums.

I have been a victim of this very practice and it has impacted me in a very profound manner. I have an excellent driving record. However, like many Michigianians, I was unemployed for 17 months. This period of unemployment has resulted in a severe negative hit to my credit score. My driving record and premium payment schedule has remained unchanged. Both are spotless. However my premium has increased, solely due to my plummeting credit score.

This is wrong. Senator, I STRONGLY urge you to vote to stop this practice.

Sincerely,
Mark Ruth
Clinton Township

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Dear Senator:

There is nothing wrong with Credit Scoring for insurance premiums. If I were to live in a bad area, I would expect to pay more for protection, whether it be insurance rates or police. Again, Detroit is looking for a way to have everyone pay for their problems.

Delphine and Sigmund Malofy
Sterling Heights

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Dear Senator Switalski:

I'm writing you in regards to the above matter due to the fact that I feel that using your credit score for insurance purposes might not in all cases be fair. For instance, we applied for a mortgage on our paid for house to do some improvements on the house. My husband was retired at the time and I was his caretaker. The mortgage went through, we thought we would be fine, all credit cards and home improvements would be taken care of. That was the beginning of a nightmare for us. The title company absconded with the check to pay the creditors and the home improvements. That left us no choice but to file bankruptcy. We went from triple A credit to ruins. Should we continue to be punished for the mistakes of the bad finances that occurred by paying higher rates????
Thanks for letting me sound off in your ear.

Sincerely,
Norma Bubel
Roseville

Mickey's Blog: Credit Scoring

I would like to thank everyone who took the time to provide me with their thoughts on the Governor's proposed administrative rule which would prohibit the use of credit scoring when determining insurance premiums. I greatly appreciated all of your comments and I took careful consideration of them.

Opponents of credit scoring contend that insurance rates have increased over the past few years and it has become too expensive for insurance. Opponents of credit scoring also argue that just because an individual was late on a bill payment or has a bad credit history does not necessarily mean that a person is more likely to file an insurance claim. Finally, opponents point out that credit scores are often inaccurate and discriminatory.

Meanwhile, supporters of the continuation of the practice counter that credit scoring provides a two-thirds discount for insurance policyholders in Michigan. Supporters of credit scoring also argue that an outright ban would increase rates for the majority of policyholders in order to balance a reduction of rates elsewhere. In addition, credit scoring supporters contend that credit histories are a reliable indicator of a policyholder's risk.

Governor Granholm had initially proposed her administrative rule last year. The rule would prohibit insurers from offering discounts based on a customer's credit score and would require insurers to reduce their base rates by the amount of the discount that they are currently offering. After a series of public hearings, the governor officially unveiled her administrative rule in January.

Under the Michigan Constitution, the Joint Committee on Administrative Rules has the obligation to review and if it so chooses to reject a Governor's administrative rule. If JCAR rejects the rule, the Legislature has the opportunity to pass a bill within 15 legislative days to prevent a rule from taking effect.

The JCAR officially rejected the credit scoring rule last month and subsequently two bills were introduced in the Michigan Legislature to repeal the Governor's administrative rule. These bills (Senate Bill 233 and House Bill 4374), if passed by the Legislature, would go to Governor Granholm for approval. The Governor has said that any bills rejecting this rule faces the ink from her veto pen. In other words, the rule is expected to take effect on July 1, 2005 unless a lawsuit is filed which would block the rule from taking effect.

I supported last year's compromise effort to mend but not end the use of credit scoring, realizing that an outright ban would raise many people's insurance rates at a time when their insurance rate is already high. Instead, I sought a medium where certain extreme abuses of credit scoring would be regulated such as requiring disclosure that a policyholder's credit rating will be a factor in determining their insurance premium, prohibiting insurers from using the lack of a credit history to negatively effect a individual's credit score and making a credit score less of a factor when determining a policyholder's insurance premium.

The proposal to ban credit scoring, combined with the governor's proposal to raise the SBT tax on the insurance industry and provide SBT relief to manufacturers and small business, makes me believe that we have to allow the industry to control its costs. This includes allowing for the reasonable use of credit scoring and for controlling disbursements on catastrophic claims from the Michigan catastrophic fund.

What is the State's Role in Dating?

On March 10, the Michigan Senate Judiciary Committee passed legislation that would require internet dating service providers to disclose whether or not they conducted a criminal background check on users of the service.

Senate Bill 286 will require all online dating websites to require background checks on each individual. Supporters of the bill argue that the internet is a dangerous place and with online dating services becoming more and more popular, it is necessary to provide users a way to protect themselves. They also contend that if this information is provided to the user then online dating will become a much safer activity.

Meanwhile, opponents of Senate Bill 286 argue that the bill would provide users with a false sense of

security making them more vulnerable because the background check is done on a name given rather than a social security number, or even fingerprints. Opponents also argue that a criminal background check is not foolproof and if government begins to interfere with on-line dating where does it stop? Can we really trust everyone we meet for the first time, such as when we meet someone in a park, at a coffee shop, in school or even at a religious service? Do we ask for a background check then? Lastly, there are several on-line dating websites, some require background checks and some do not, at the moment we have a choice to which dating service we prefer to use, if this bill passes we no longer have that choice.

I expect this issue to come up for a vote and I would like to receive your feedback on this matter. Please feel free to e-mail me on this subject and I will publish some of your letters in the next issue of the Insider E-Newsletter.

Mickey's TV Insider Show

Check out my TV Insider Show coming to a television station near you. Watch me interview local guests about politics, life, issues and concerns to our district.

Sterling Heights

Every Saturday and Sunday at 12:30 p.m.
(Comcast Channel 5/WOW Channel 10)

Utica

Every Wednesday at 9 a.m.
(Comcast Channel 5/WOW Channel 10)

Clinton Township

Last week of every month- Sat thru Thurs
(Comcast Channel 5/WOW Channel 10)

Roseville

Every other Tuesday at 6:05 p.m.
(Comcast Channel 18)

*Please note that Sterling Heights/Utica/Clinton Township will show the TV Insider Show on Comcast Channel 5 and Wide Open West Channel 10. Clinton Township will air the TV Insider Show at various times during the last week of every month. Roseville can see the TV Insider Show on Comcast Channel 18.

Coffee Hours

*Please note that since the District Office is in Roseville, I do not have set coffee hours in Roseville. However, I encourage you to visit the Roseville office. We even have a coffee pot. Everyone is welcome to attend the coffee hours and discuss their issues and concerns.

**April 4
7-9 p.m.**

Location: Sterling Heights Public Library
(40255 Dodge Park)
Sterling Heights

**April 25
7-9 p.m.**

Location: Clinton-Macomb Public Library
(35891 South Gratiot, north of 15 Mile)
Clinton Township

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